

(11)

— **CONTINUOUS USE**
WITH **THE**

Oct 1 19

CHARLES ELMORE

IN THE

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1945.

**OBEAR-NESTER GLASS COMPANY,
a Corporation,**

10

**UNITED DRUG COMPANY, a Corpora-
tion.**

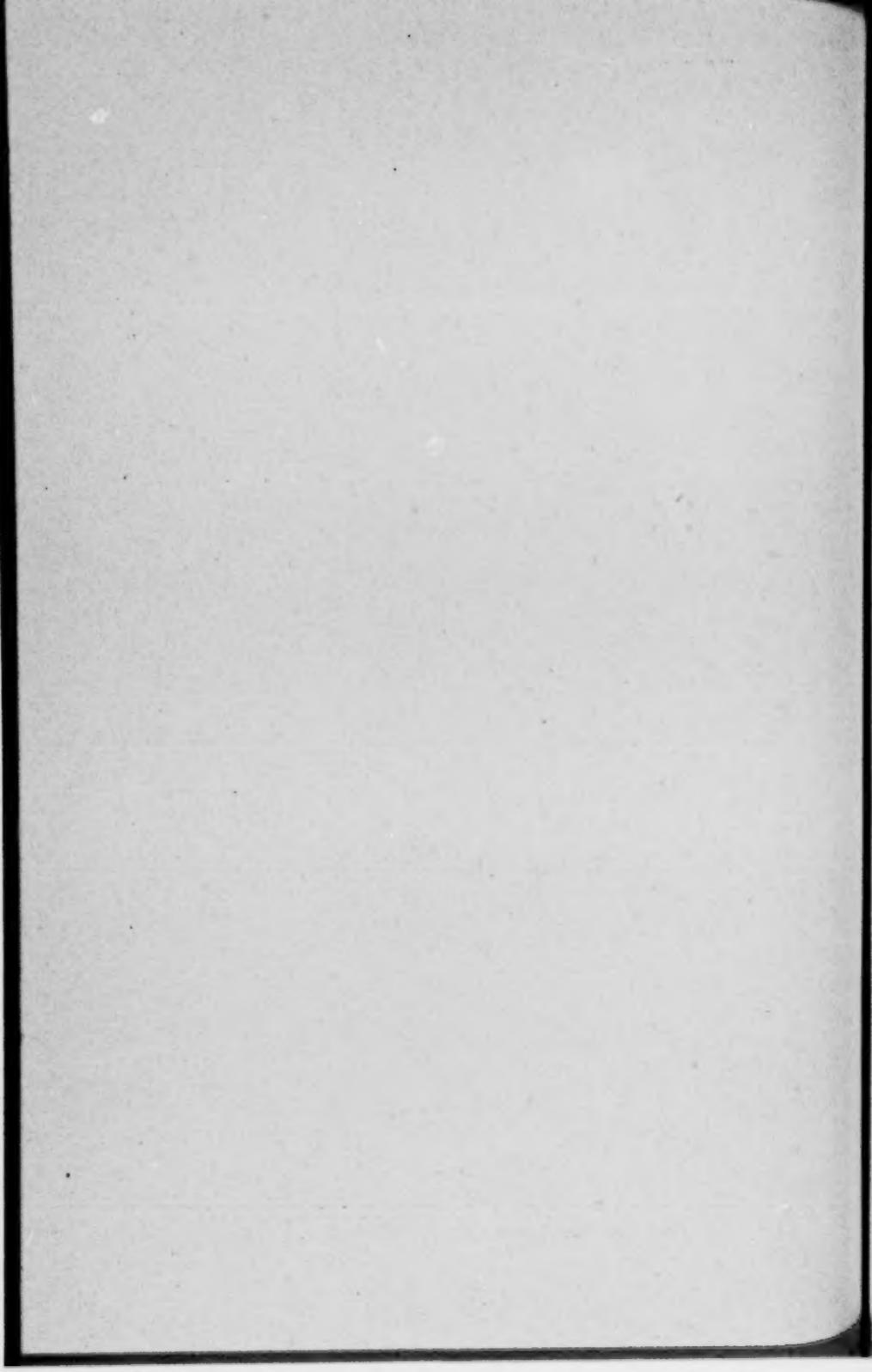
Respondent.

No. 416

RESPONDENT'S BRIEF.

**DELOS G. HAYNES,
818 Olive Street,
St. Louis 1, Missouri,
Attorney for Respondent.**

ST. LOUIS LAW PRINTING CO., 415 North Eighth Street. CENtral 4477



SUBJECT INDEX.

	Page
Statement of the case.....	2
Original record, including agreed statement of the case	2
Accounting evidence, including testimony and exhibits adduced by respondent during examination of petitioner's witnesses.....	3
Master's report	4
The District Court approved and adopted substantially every one of the Master's findings and conclusions	4
The Circuit Court of Appeals affirmed the District Court	5
Summary of argument.....	6
Argument	11
1. Certain issues are closed; other issues are open.	11
2. Under F. R. C. P. 53 (e) (2), "The (District) Court shall accept the Master's findings of fact unless clearly erroneous".....	11
3. The Master's findings of fact are supported by the agreed statement of the case in the Original Record and by the evidence in the Accounting Record	12
4. The Master's conclusions of law have been approved and adopted by the District Court and by the Circuit Court of Appeals in all essential particulars and are supported by the authorities	13

5. Under F. R. C. P. 52 (a), "Findings of fact (by the District Court) shall not be set aside unless clearly erroneous, * * *. The findings of a Master, to the extent that the Court adopts them, shall be considered as the findings of the Court"	16
6. The findings of fact by the District Court and by the C. C. A. are supported by the evidence, in all essential particulars.....	17
7. The conclusions of law by the District Court and by the C. C. A. are supported by the authorities, in all essential particulars.....	17
8. The evidence adduced by respondent during examination of petitioner's witnesses, and respondent's exhibits proven thereby, and offered and received in evidence, are properly in evidence, just as much as though offered during respondent's time for taking testimony.....	18
9. Respondent has proven its indirect cost items in the usual and practicable accepted manner, by allocation	20
Conclusion	24

AUTHORITIES CITED.

Decisions.

Aladdin Mfg. Co. v. Mantle Lamp Co. of America (C. C. A. 7), 116 F. (2d) 708.....7, 10, 13, 21

Allen v. Smith (N. Y. Supreme Court, Appellate Division), 229 N. Y. S. 692, 18 Trade Mark Reporter 4358, 15

Ammon & Person v. Narragansett Dairy Co. (C. C. A. 1), 262 F. 8807, 14

Anchor v. Rymer (C. C. A. 6), 97 F. (2d) 689, 691....8, 14

Armstrong v. Belding Bros. & Co. (D. C. Conn.), 280 F. 895, 897; affirmed by C. C. A. 2 at 297 F. 728....9, 20

Beckwith v. Malleable Iron Range Co. (D. C. Wis.), 207 F. 8489, 20

Chadeloid Chemical Co. v. H. B. Chalmers Co. et al. (C. C. A. 2), 243 F. 606.....6, 11

Cincinnati Siemens Gas Co. v. Western Siemens Co., 152 U. S. 200, 206.....8, 14

Cushman & Denison Mfg. Co. v. L. F. Grammes & Sons (D. C. Pa.), 234 F. 949, 951.....9, 18

Dickinson v. O. & W. Thum Co. (C. C. A. 6), 8 F. (2d) 5707, 13, 15

Downes v. Culbertson (N. Y. Sup. Ct.), 153 Misc. 14, 24 Trade Mark Reporter 566.....8, 15

Fish v. Bangs, 113 Mass. 123.....9, 19

G. & C. Merriam Co. v. Saalfeld (C. C. A. 6), 198 F. 3697, 14

Goodyear Tire & Rubber Co., Inc., et al. v. Ray-O-Vac Co., 321 U. S. 275, affirming C. C. A. 7 at 136 F. (2d) 159, which affirmed the District Court at 45 F. S. 927.....6, 8, 11, 12, 16, 17

Gordon et al. v. Tureo-Halvah Co., Inc., et al. (C. C. A. 2), 247 F. 487.....10, 21

Hamilton-Brown Shoe Company v. Wolf Brothers & Company, 240 U. S. 251, affirming 206 F. 611.....	7, 13
Isador Straus et al. v. Notaseme Hosiery Company, 240 U. S. 179.....	7, 13
Keystone Type Foundry v. Portland Pub. Co. (D. C. Maine), 180 F. 301; affirmed (C. C. A. 1), 186 F. 690	7, 13
Lampert v. Judge & Dolph Drug Co., 100 S. W. 659, 119 Mo. App. 693; affirmed at 141 S. W. 1095, 238 Mo. 409, 37 L. R. A. N. S. 533; abstracted in 15 U. S. C. A. 99, Note 60.....	8, 13
Lawrence-Williams Co. v. Societe Enfants Gombault et Cie. (C. C. A. 6), 52 F. (2d) 774.....	8, 16
Levin Bros. v. Davis Mfg. Co. et al. (C. C. A. 8), 72 F. (2d) 163.....	6, 10, 13, 23, 24
Ludington Novelty Co. v. Leonard et al. (C. C. A. 2), 127 F. 155	7, 13
Metallic Extraction Co. v. Brown (C. C. A. 8), 104 F. 345	6, 11
Michel v. Tsirkas (N. Y. Court of Appeals), 45 U. S. P. Q. 627, 282 N. Y. 195.....	8, 15
Mishawaka Rubber & Woolen Manufacturing Company v. S. S. Kresge Company, 316 U. S. 203....	1, 7, 13
Obear-Nester Glass Company v. Walgreen Drug Stores, Inc., et al., 113 F. (2d) 956.....	2
Rollman Mfg. Co. v. Universal Hardware Works (D. C. Pa.), 218 F. 651.....	9, 18
Ruth v. Stearns-Roger Mfg. Co. (D. C. Colo.), 13 F. S. 697; reversed by C. C. A. 10, 87 F. (2d) 35.....	10, 21
Sheldon et al. v. Metro-Goldwyn Pictures Corporation et al., 309 U. S. 390.....	7, 13
Standard Water Systems Co. et al. v. Griscom-Russell Co. (C. C. A. 3), 278 F. 703.....	9, 20

Troy Wagon Works Co. v. Ohio Trailer Co. (C. C. A. 6), 274 F. 612.....	9, 20
15 U. S. C. A. 99, main volume, and 1944 Pocket Part, pages 83-85, Notes 55, 56 and 57, and voluminous authorities therein cited.....	6, 8, 13
28 U. S. C. A. 227, Note 15.....	6, 11
28 U. S. C. A. 695, 1944 Pocket Part, pages 148-153, containing voluminous citations of authorities.....	10, 22
28 U. S. C. A., 1944 Pocket Part, pages 265-273, Note 17, containing voluminous citations of authorities..	8, 16
28 U. S. C. A., 1944 Pocket Part, pages 282-285, Notes 14 and 14a, containing voluminous citations of authorities ..	6, 11
Vogue Co. v. Thompson-Hudson Co. et al. (C. C. A. 6), 300 F. 509.....	7, 13
W. R. Lynn Shoe Co. v. Auburn Lynn Shoe Co., 100 Maine 461, 62 Atl. 499 (4 L. R. A. N. S. 460); 103 Maine 334, 69 Atl. 569.....	7, 14
Wawak & Co. Inc. v. Kaiser et al. (C. C. A. 7), 129 F. (2d) 66; and see former appeal decision at 90 F. (2d) 694, 699.....	8, 14
Westinghouse Electric & Manufacturing Company v. Wagner Electric & Manufacturing Company, 225 U. S. 604	7, 14
Williams Mfg. Co. v. United Shoe Machinery Corporation, 316 U. S. 364, 367.....	6, 9, 12, 17
Wirfs v. D. W. Bosley Co. et al. (C. C. A. 8), 20 F. (2d) 632	9, 20

Statutes.

15 U. S. Code 99	6, 13
28 U. S. Code 225 (b) (first)	6, 11
28 U. S. Code 227	6, 11
28 U. S. Code 695	10, 22
28 U. S. Code 723 (b), (c)	6, 12

Rules of This Court.

Rule 38, par. 5.....	1
----------------------	---

Federal Rules of Civil Procedure.

F. R. C. P. 52 (a)	8, 16, 25
F. R. C. P. 53 (e) (2)	6, 11, 25

Textbooks.

23 Corpus Juris 51	9, 19
23 Corpus Juris 53	9, 20
70 Corpus Juris 490	9, 19
Nims on Trade-Marks, Third Edition, pages 1072-1076	10, 22

Reported Opinions Delivered by the Courts Below.**On the Original Record:**

C. C. A. 8, 111 F. (2d) 197, at R. 5.....	2
---	---

On the Accounting Record at Bar:

District Court, 53 F. S. 744, at R. 346.....	2
C. C. A. 8, 149 F. (2d) 671, at R. 369.....	2, 24

IN THE
SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1945.

OBEAR-NESTER GLASS COMPANY,
a Corporation, }
Petitioner,
v. } No.
UNITED DRUG COMPANY, a Corpora- }
tion, }
Respondent. }

RESPONDENT'S BRIEF.

Of the grounds listed in Rule 38, par. 5, for granting a writ of certiorari, petitioner urges only that the Circuit Court of Appeals has decided a federal question in a way in conflict with applicable decisions of this Court, to wit, Mishawaka R. & W. Mfg. Co. v. S. S. Kresge Co., 316 U. S. 203.

The "federal question" is the manner of computing profits due to a trade-mark owner.

Petitioner's claim for damages is admittedly not before this Court. See petition, page 4, footnote.

The three concurrent decisions below, namely by the Master at R. 322, by the District Court at R. 346, and by the C. C. A. at R. 369, all cite and discuss the Mishawaka decision and apply it to the facts at bar. We believe they do this correctly.

STATEMENT OF THE CASE.

We do not concur in petitioner's Statement.

Original Record, Including Agreed Statement of the Case.

This cause is before this Court for the second time.

The original petition was by respondent at bar, No. 174, October Term, 1940. That petition was based on the C. C. A. decision (R. 5) affirming the District Court's interlocutory decree (R. 2). This Court denied the petition without opinion. 311 U. S. 665.

The Original Record consisted of an Agreed Statement of the Case. See O. R. 1, folio 3. (Throughout this brief we refer to this Original Record as O. R., and to the Accounting Record at bar as R.)

C. C. A. original decision is cited by the Master at R. 323; by the District Court at R. 346; and in the C. C. A. decision at bar at R. 370.

Petitioner's unsuccessful companion suit against Walgreen Drug Stores, Inc., and Corning Glass Works, based on petitioner's same trade-mark REX, was decided by the C. C. A., 113 F. (2d) 956, and is cited in the District Court's opinion at bar at R. 346.

In the Original Record, no actual confusion was shown.

The injunction which has been in force for the last four years pursuant to the C. C. A. mandate (R. 10) prevents any possible future confusion from arising.

Instead of any confusion ever having occurred, respondent proved by admissions of petitioner's staff,

(1) that the accused marking, The Rexall Store, on the accused bottles means "that the bottles are to contain something sold by a Rexall Store" (Petitioner's Vice-President Nester, O. R. 93); and

(2) that petitioner's sales of its From The Rexall Drug Store bottles (**not** the Rex bottles on which this suit was filed) were sold only to Rexall stores "Because they wouldn't be any good. I don't suppose another druggist would use them. It would be misleading if he were not a Rexall agent. He would probably get into trouble" (Petitioner's salesman Rodenberg, R. 117).

**Accounting Evidence, Including Testimony and Exhibits
Adduced by Respondent During Examination
of Petitioner's Witnesses.**

We take exception to petitioner's statement (brief page 2, for example) that respondent took no testimony on the accounting. The Accounting Record shows that respondent cross-examined most or all of petitioner's witnesses; that respondent offered in evidence a substantial number of exhibits which respondent proved through such cross-examinations; and that the Master received such exhibits in evidence. The propriety of this, and the fact that this evidence for respondent is in the record just as though it had been taken during respondent's time for testimony, is argued under Point 9 at pages 20 to 24 herein.

At the hearing on petitioner's motion for an accounting of damages, Judge Davis made the comments shown at R. 365-6, which are:

"Mr. Ezell (for petitioner): * * * We may point out that insofar as the matter of profits it would seem to be no return for the plaintiff for that which it suffered, because the defendant has manifestly sold its

bottles at a loss during the whole time; that is what the statements shows.

“The Court: Do you not think your accounting for damages is going to show pretty much the same thing?

“Mr. Ezell: No, we do not, Your Honor. We believe the return will show damages, which should be paid to plaintiff, of between fifty and one hundred thousand dollars. We sincerely believe that to be true.

“The Court: I would be very much surprised, very much surprised, if you show anything like that. • • •

“Mr. Ezell: We have a memorandum which we would like to file if you are taking this matter under advisement.

“The Court: I do not want to take it under advisement. I want to pass on it. I mean the plaintiff is entitled to the full measure of its relief. That full measure, it seems to me, is necessarily going to be very small. I am surprised it was even necessary to go ahead with this accounting. • • •”

Master's Report.

After petitioner had examined respondent's books and records at Boston to whatever extent petitioner wished (R. 62), and after the Master had heard whatever testimony and exhibit offers either party wished to tender, the Master filed his report (R. 322-340) awarding to petitioner one cent as nominal damages.

The District Court Approved and Adopted Substantially Every One of the Master's Findings and Conclusions.

After petitioner filed exceptions (R. 340-345) the District Court held an oral hearing, and then filed its opinion (R. 346-9) and final decree (R. 350-1). The decree awarded to petitioner one cent as nominal damages. The District Court approved and adopted substantially every one of the Master's findings and conclusions.

The Circuit Court of Appeals

Affirmed the District Court.

From this decree, appellant filed an appeal (R. 1).

The Circuit Court of Appeals (R. 369) affirmed the District Court.

Petitioner then filed the petition at bar.

SUMMARY OF ARGUMENT.

1. Certain issues are closed; other issues are open.

28 U. S. Code 225 (b) (first);

28 U. S. Code 227;

28 U. S. C. A. 227, Note 15;

Metallic Extraction Co. v. Brown (C. C. A. 8), 104 F. 345;

Chadeloid Chemical Co. v. H. B. Chalmers Co. et al. (C. C. A. 2), 243 F. 606.

2. Under F. R. C. P. 53 (e) (2), "The (District) Court shall accept the Master's findings of fact unless clearly erroneous."

Goodyear Tire & Rubber Co., Inc., et al. v. Ray-O-Vac Co., 321 U. S. 275, affirming C. C. A. 7 at 136 F. (2d) 159, which affirmed the District Court at 45 F. S. 927;

Williams Mfg. Co. v. United Shoe Machinery Corporation, 316 U. S. 364, 367;

28 U. S. Code 723 (b), (e);

28 U. S. C. A., 1944 Pocket Part, pages 282-285, Notes 14 and 14a, containing voluminous citations of authorities.

3. The Master's findings of fact are supported by the agreed statement of the case in the Original Record and by the evidence in the Accounting Record.

4. The Master's conclusions of law have been approved and adopted by the District Court and by the Circuit Court of Appeals in all essential particulars and are supported by the authorities.

15 U. S. Code 99, quoted by the District Court at R. 347;

Levin Bros. v. Davis Mfg. Co. et al. (C. C. A. 8), 72 F. (2d) 163; cited by the District Court at R. 348;

Aladdin Mfg. Co. v. Mantle Lamp Co. of America (C. C. A. 7), 116 F. (2d) 708; cited by the District Court at R. 348;

Mishawaka Rubber & Woolen Manufacturing Company v. S. S. Kresge Company, 316 U. S. 203; cited by the Master at R. 327; cited by the District Court at R. 348; cited by the C. C. A. at R. 373;

Hamilton-Brown Shoe Company v. Wolf Brothers & Company, 240 U. S. 251, affirming 206 F. 611; cited by the District Court at R. 348 and by the C. C. A. at R. 373;

Dickinson v. O. & W. Thum Co. (C. C. A. 6), 8 F. (2d) 570; cited by the Master at R. 322; cited by the District Court at R. 348 and by the C. C. A. at R. 374-5;

Isador Straus et al. v. Notaseme Hosiery Company, 240 U. S. 179; cited by the Master at R. 327-8;

Sheldon et al. v. Metro-Goldwyn Pictures Corporation et al., 309 U. S. 390; cited by the Master at R. 328;

Vogue Co. v. Thompson-Hudson Co. et al. (C. C. A. 6), 300 F. 509; cited by the Master at R. 328;

Ludington Novelty Co. v. Leonard et al. (C. C. A. 2), 127 F. 155; cited by the Master at R. 328;

Keystone Type Foundry v. Portland Pub. Co. (D. C. Maine), 180 F. 301; affirmed (C. C. A. 1) 186 F. 690; cited by the Master at R. 328;

Westinghouse Electric & Manufacturing Company v. Wagner Electric & Manufacturing Company, 225 U. S. 604; cited by the Master at R. 328;

Ammon & Person v. Narragansett Dairy Co. (C. C. A. 1), 262 F. 880; cited by the Master at R. 328;

W. R. Lynn Shoe Co. v. Auburn Lynn Shoe Co., 100 Maine 461, 62 Atl. 499 (4 L. R. A. N. S. 460); 103 Maine 334, 69 Atl. 569; cited by the Master at R. 328;

G. & C. Merriam Co. v. Saalfield (C. C. A. 6), 198 F. 369; cited by the Master at R. 328 and by the C. C. A. at R. 372;

Wawak & Co. Inc. v. Kaiser et al. (C. C. A. 7), 129 F. (2d) 66; and see former appeal decision at 90 F. (2d) 694, 699; cited by the Master at R. 332 and 336 and by the C. C. A. at R. 374; Cincinnati Siemens Gas Co. v. Western Siemens Co., 152 U. S. 200, 206; Anchor v. Rymer (C. C. A. 6), 97 F. (2d) 689, 691; cited by the C. C. A. at R. 374; Michel v. Tsirkas (N. Y. Court of Appeals), 45 U. S. P. Q. 627, 282 N. Y. 195; Downes v. Culbertson (N. Y. Sup. Ct.), 153 Misc. 14, 24 Trade Mark Reporter 566; Allen v. Smith (N. Y. Supreme Court, Appellate Division), 229 N. Y. S. 692, 18 Trade Mark Reporter 435; 15 U. S. C. A. 99, main volume, and 1944 Pocket Part, pages 83-85, Notes 55, 56 and 57, and voluminous authorities therein cited; cited by the C. C. A. at R. 373; Lampert v. Judge & Dolph Drug Co., 100 S. W. 659, 119 Mo. App. 693; affirmed at 141 S. W. 1095, 238 Mo. 409, 37 L. R. A. N. S. 533; abstracted in 15 U. S. C. A. 99, Note 60; Lawrence-Williams Co. v. Societe Enfants Gombault et Cie. (C. C. A. 6), 52 F. (2d) 774; cited by the C. C. A. at R. 372, 375.

5. Under F. R. C. P. 52 (a), "Findings of fact (by the District Court) shall not be set aside unless clearly erroneous, * * *. The findings of a Master, to the extent that the Court adopts them, shall be considered as the findings of the Court. * * *"

Goodyear Tire & Rubber Co., Inc., et al. v. Ray-O-Vac Co., 321 U. S. 275, affirming C. C. A. 7 at 136 F. (2d) 159, which affirmed the District Court at 45 F. S. 927; cited by the C. C. A. at R. 376; 28 U. S. C. A., 1944 Pocket Part, pages 265-273, Note 17, containing voluminous citations of authorities;

Williams Mfg. Co. v. United Shoe Machinery Corporation, 316 U. S. 364, 367; cited by the C. C. A. at R. 376.

6. The findings of fact by the District Court, affirmed by the C. C. A., are supported by the evidence, in all essential particulars.

7. The conclusions of law by the District Court, affirmed by the C. C. A., are supported by the authorities, in all essential particulars.

We rely upon the authorities listed above under Point 4; except as to the deductibility of certain cost items, and as to those we rely on the authorities listed under Point 9.

8. The evidence adduced by respondent during examination of petitioner's witnesses, and respondent's exhibits proven thereby, are properly in evidence, just as much as though offered during respondent's time for taking testimony.

Cushman & Denison Mfg. Co. v. L. F. Grammes & Sons (D. C. Pa.), 234 F. 949, 951;
Rollman Mfg. Co. v. Universal Hardware Works (D. C. Pa.), 218 F. 651;
23 Corpus Juris 51;
Fish v. Bangs, 113 Mass. 123;
70 Corpus Juris 490;
23 Corpus Juris 53;
Troy Wagon Works Co. v. Ohio Trailer Co. (C. C. A. 6), 274 F. 612;
Standard Water Systems Co. et al. v. Griscom-Russell Co. (C. C. A. 3), 278 F. 703;
Wirfs v. D. W. Bosley Co. et al. (C. C. A. 8), 20 F. (2d) 632;
Beckwith v. Malleable Iron Range Co. (D. C. Wis.), 207 F. 848;
Armstrong v. Belding Bros & Co. (D. C. Conn.), 280 F. 895, 897; affirmed by C. C. A. 2 at 297 F. 728.

9. Respondent has proven its indirect cost items in the usual and practicable accepted manner, by allocation.

Gordon et al. v. Turco-Halvah Co., Inc., et al. (C. C. A. 2), 247 F. 487;

Ruth v. Stearns-Roger Mfg. Co. (D. C. Colo.), 13 F. S. 697; reversed by C. C. A. 10, 87 F. (2d) 35; Aladdin Mfg. Co. v. Mantle Lamp Co. of America (C. C. A. 7), 116 F. (2d) 708 (R. 348); cited by the C. C. A. at R. 374;

Nims on Trade-Marks, Third Edition, pages 1072, 1076;

Levin v. Davis (C. C. A. 8), 72 F. (2d) 163, 165; 28 U. S. Code 695;

28 U. S. C. A. 695, 1944 Pocket Part, pages 148-153, containing voluminous citations of authorities.

ARGUMENT.

Point 1: Certain Issues Are Closed; Other Issues Are Open.

The issues now closed, so far as the appeal at bar is concerned, are those over which the C. C. A. had jurisdiction on the interlocutory appeal, Docket No. 11,636 Civil, taken under 28 U. S. Code 225 (b) (first), namely, the appeal as specified in 28 U. S. Code 227 from the granting of the injunction. As shown in 28 U. S. C. A. 227, Note 15, such an appeal does not go to the propriety of ordering an accounting (Chadeloid v. Chalmers, 243 Fed. 606), and does not raise any question as to what damages, if any, are recoverable (Metallic v. Brown, 104 Fed. 345). The Federal Rules of Civil Procedure made no change in this long-established practice. Thus the C. C. A. at R. 5-9 passed only on the question of likelihood of confusion; and expressly and properly refrained from commenting on the amount, if any, recoverable on an accounting.

The issues which are now open are the amount, if any, recoverable on the accounting, and the taxation of costs on the accounting, that is, subsequent to October 28, 1940, which was the date of filing of the C. C. A. mandate in the District Court (R. 13).

Point 2: Under F. R. C. P. 53 (e) (2), "The (District) Court Shall Accept the Master's Findings of Fact Unless Clearly Erroneous."

This point has been before this Court so often that we will not lengthen this brief by quoting from authorities.

In 28 United States Code Annotated following Section 723 (c), the 1944 pocket part, pages 282-285, notes 14 and 14a contain voluminous citations of authorities.

This Court has recently reaffirmed the weight to be given to the findings of fact. See Goodyear Tire & Rubber

Co., Inc., et al. v. Ray-O-Vac Co., 321 U. S. 275, affirming C. C. A. 7 at 136 F. (2d) 159, which affirmed the District Court at 45 F. S. 927.

A year or so earlier this Court stated the same doctrine in Williams Mfg. Co. v. United Shoe Machinery Corporation, 316 U. S. 364, 367.

Nor do we need to remind this Court that the Federal Rules of Civil Procedure have the force of statute. See 28 U. S. C. 723 (b) (c).

**Point 3: The Master's Findings of Fact Are Supported by
the Agreed Statement of the Case in the Original
Record and by the Evidence in the
Accounting Record.**

The Master's numbered findings of fact are at R. 339-340. As he states at the top of R. 339, the preceding pages (R. 322-338) also embrace findings of fact.

The evidence of absence of any confusion includes not only admissions of petitioner's vice-president and salesman such as we quote above in our Statement (page 3 herein) but includes the facts set forth in the agreed statement of the case in the Original Record. This record included a complete showing of respondent's contractual relationship with the only customers to whom respondent sells. There is no conflicting evidence. The Master properly found that in view of the facts in the record there could have been no confusion.

The District Court approved and adopted the Master's findings and the District Court's decision was affirmed by the C. C. A.

Point 4: The Master's Conclusions of Law Have Been Approved and Adopted by the District Court and by the Circuit Court of Appeals in All Essential Particulars and Are Supported by the Authorities.

The statute, 15 U. S. C. 99, is quoted in the District Court's opinion at R. 347.

In 15 U. S. C. A. 99, the main volume and the 1944 Pocket Part, pages 83-85, Notes 55, 56 and 57 contain voluminous citations of authorities.

Lampert v. Judge & Dolph Drug Co., 1906, 100 S. W. 659, 119 Mo. App. 693, affirmed, 1911, 141 S. W. 1095, 238 Mo. 409, 37 L. R. A. N. S. 533, Ann. Cas. 1913 A, 351, is abstracted at 15 U. S. C. A. 99, Note 60, as follows:

“An infringement of trade-mark by the sale of cigars of another make from a box bearing plaintiff's registered trade-mark does not warrant the allowance of punitive damages.”

The District Court's opinion, at R. 348, cites Levin Bros. v. Davis Mfg. Co. et al. (C. C. A. 8), 72 F. (2d) 163; Aladdin Mfg. Co. v. Mantle Lamp Co. of America (C. C. A. 7), 116 F. (2d) 708; Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co., 316 U. S. 203; Hamilton-Brown Shoe Company v. Wolf Bros. & Co., 240 U. S. 251, and Dickinson v. O. & W. Thum Co. (C. C. A. 6), 8 F. (2d) 570. The Master in his report, at R. 327, had also cited the Mishawaka decision.

The Master cited the Dickinson decision at R. 322.

The Master's Report, at R. 327-8, correctly relies on Isador Straus et al. v. Notaseme Hosiery Co., 240 U. S. 179.

The Master's Report, at R. 328, also correctly relies on Sheldon v. Metro-Goldwyn Corp. 309 U. S. 390; Vogue v. Hudson, 300 F. 509; Ludington Novelty Co. v. Leonard, 127 F. 155; Keystone Type Foundry Co. v. Portland, 180

F. 301; Westinghouse v. Wagner, 225 U. S. 604; Ammon & Person v. Narragansett Dairy, 262 F. 880; W. R. Lynn Shoe Co. v. Auburn Shoe Co., 100 Me. 461, 69 Atl. 569, and Merriam v. Saalfeld, 198 F. 369, 376.

The Master's Report, at R. 332 and 336, cites and discusses Wawak v. Kaiser, 129 F. (2d) 66.

There is no presumption that the petitioner would have made the sale at a higher price. Cincinnati Siemens-Lungren Gas Illuminating Co. v. Western Siemens-Lungren Co., 152 U. S. 200, 206; relied upon in Anchor v. Rymer (C. C. A. 6), 97 F. (2d) 689, 691.

Admittedly petitioner charged a substantially higher price than did respondent for comparable bottles, though the evidence is silent as to whether petitioner after 1935 was selling any bottles at all marked Rex, which is the only trade-mark on which this suit is based.

In **Anchor**, on page 691, the Court said:

“As to recovery of lost profits by way of damages, the usual principles apply. As was said by this court in Dickinson v. O. & W. Thum Co., 6 Cir., 8 F. (2d) 570, 575, ‘When a plaintiff in a trade-mark or unfair competition case seeks to recover damages, the burden is on him to prove by competent and sufficient evidence his lost sales, or that he was compelled to reduce prices as the result of his competitor's wrongful conduct. There is no presumption of law or of fact that a plaintiff would have made the sales that the defendant made.’ The authorities sustaining this principle are sufficiently cited in the text. Especially is this true when the alleged infringer sells his product at a substantially lower price, for ‘It does not follow, because a party makes a purchase at a lower price, that he would have bought the same article at a higher price.’ Cincinnati Siemens Gas Co. v. Western Siemens Co., 152 U. S. 200, 206, 14 S. Ct. 523, 526, 38 L. Ed. 411.”

Even in an unfair competition suit, the estimated profits which the plaintiff might have derived from sales actually made by defendant in unfair competition with plaintiff are not a measure of damages unless plaintiff shows that such sales are balanced by a corresponding decrease in plaintiff's sales of the goods on which the suit was filed. *Michel v. Tsirkas* (N. Y. Court of Appeals), 45 U. S. P. Q. 627, 282 N. Y. 195. In the case at bar, petitioner offered no evidence whatever showing any decrease of its "Rex" ware sales due to respondent's accused sales, nor in fact any "Rex" sales figures at all after 1935.

The measure of damage in unfair competition is the loss **actually suffered**. Any award of damages to plaintiff of the amount of profits he would have realized by the sale of the goods sold by defendant is erroneous. *Allen v. Smith* (N. Y. Supreme Court, Appellate Division), 229 N. Y. S. 692, 18 Trade Mark Reporter 435.

In an action for unfair competition, the damages must be confined to losses actually suffered by plaintiff because of the wrongful acts of defendant. Where no persuasive evidence was offered in connecting defendant's acts to a decline in sales of plaintiff's goods **on which the suit was based**, no damages were awarded. *Downes v. Culbertson* (N. Y. Supreme Court), 153 Misc. 14, 24 Trade Mark Reporter 566.

Petitioner must prove that it would have sold the goods on which the complaint is based, or must prove that it was forced to reduce prices on such goods. *Dickinson v. Thum*, 8 F. (2d) 570, 575. Neither kind of proof is in the case at bar.

Incidentally, plain bottles were sold at the same prices as imprinted bottles. See Nester's admission at R. 78, lines 9-11.

Petitioner has offered no evidence whatever that it would have sold its "Rex" goods if it had not been for respondent's acts complained of, nor any evidence as to

its "Rex" business at all after 1935. As to petitioner's irrelevant "From the Rexall Drug Store" ware bearing its trade-mark O. N., petitioner's sales gained less than \$4,000 from 1940 to 1941, while respondent's sales complained of dropped from about \$50,000 to zero, **showing that even petitioner's irrelevant ware did not get even one-tenth of the business formerly had by respondent's accused goods**; and the respondent furnished all requested information contained upon its books and records and co-operated with petitioner's representatives to help them make whatever inspection they wished of all such books and records.

Petitioner cites *Lawrence v. Societe* (C. C. A. 6), 52 F. (2d) 774. That suit included a charge of unfair competition, for which there is no analogy in the issues at bar. Incidentally, the C. C. A. in **Lawrence** emphasizes (page 777, column 1) that the decree directing an accounting of profits and damages was not an adjudication that any particular money or credits of money received by defendant would constitute recoverable profits.

Point 5: Under F. R. C. P. 52 (a), "Findings of Fact (by the District Court) Shall Not Be Set Aside Unless Clearly Erroneous, * * *. The Findings of a Master, to the Extent That the Court Adopts Them, Shall Be Considered as the Findings of the Court."

This point, like Point 3 already discussed, has been before this Court so often that we will not lengthen this brief by quoting from authorities.

In 28 United States Code Annotated following Section 723 (c), the 1944 Pocket Part, pages 265-273, Note 17 contains voluminous citations of authorities.

This Court has recently reaffirmed the weight to be given to the findings of fact. See *Goodyear Tire & Rubber*

Co., Inc., et al. v. Ray-O-Vac Co., 321 U. S. 275, affirming C. C. A. 7 at 136 F. (2d) 159, which affirmed the District Court at 45 F. S. 927.

A year or so earlier this Court stated the same doctrine in Williams Mfg. Co. v. United Shoe Machinery Corporation, 316 U. S. 364, 367.

Point 6: The Findings of Fact by the District Court and by the C. C. A. Are Supported by the Evidence, in All Essential Particulars.

The District Court (R. 349, final paragraph) approves and adopts the Master's findings, except for certain cost deductions which do not affect the amount of the award.

Each step of the Court's discussion of the facts is supported by the evidence, except on the above issues of certain cost items, which we submit are deductible for the reasons argued in Point 8 (pages 18 to 20 herein).

The Circuit Court of Appeals (R. 369) approves and adopts the findings by the District Court.

In almost all instances the evidence is undisputed.

Point 7: The Conclusions of Law by the District Court and by the C. C. A. Are Supported by the Authorities, in All Essential Particulars.

We rely upon the authorities listed above under Point 4; except as to the deductibility of certain cost items, and as to those we rely on the authorities listed in Point 9 (pages 20 to 24 herein).

Point 8: The Evidence Adduced by Respondent During Examination of Petitioner's Witnesses, and Respondent's Exhibits Proven Thereby, and Offered and Received in Evidence, Are Properly in Evidence, Just as Much as Though Offered During Respondent's Time for Taking Testimony.

Petitioner repeatedly says that respondent took no testimony or offered no evidence. On the contrary, respondent cross-examined most or all of petitioner's witnesses on the accounting, and thereby proved a substantial number of exhibits, which the respondent offered in evidence and which the Master received in evidence.

The fact that Defendant's Exhibit 100, offered at R. 64 and received at R. 260, was originally called an amended statement of account, in nowise detracts from its probity or weight, now that it has been duly authenticated by its maker, Sammons (R. 30, 63 and 64), and **no** evidence has been offered disputing anything in the exhibit.

The situation is like that discussed by the Court in *Cushman v. Grammes*, 234 F. 949, wherein the Court said (page 951) that if plaintiff questions items in the statement of account, he may inquire as to them.

“If he does, the inquiry is governed by the ordinary rules of evidence which pertain to all judicial inquiries and must follow along these well-known lines. A sufficient guide to what may be done when this field of inquiry is entered upon is supplied by the clear-cut rulings of Judge Thompson in the case of *Rollman v. Universal Hardware Works (D. C.)*, 218 Fed. 651.”

In the Cushman case no one questioned the propriety of using as evidence the testimony that was adduced in regard to the account rendered. Indeed, under the rules of evidence such evidence is clearly admissible.

The Cushman case (*inter alia*) stands for the proposition

that a defendant's officer or employe called by the plaintiff for examination under the rule is under cross-examination.

Being under cross-examination, respondent's comptroller Sammons must necessarily have been a witness. What he testifies is evidence on behalf of someone. Petitioner may not wish to be bound by the evidence adduced from Sammons. Respondent is bound by Sammons' admissions which are evidence. Therefore, Sammons' testimony at R. 30-64 is evidence adduced on behalf of respondent.

However, even if the evidence adduced from Sammons were on behalf of petitioner, it would nevertheless be evidence, regardless of the fact that the statement of account itself is also a pleading.

“Where a party has himself introduced certain evidence, he cannot subsequently object that it should not have been received, or that it should not be given such consideration as its natural probative value entitled it to” (23 Corpus Juris 51, citing cases).

Thus petitioner may not, as petitioner attempts here to do, take evidentiary testimony in which a document is recited (the statement of account) and then attempt to hold the document out of evidence. Such an attempt was defeated in *Fish v. Bangs*, 113 Mass. 123, referred to in the above Corpus Juris citation.

“A party who is called by his adversary stands upon the same footing as any other witness, and may be interrogated as to any matter stated in the pleadings, or relevant and material to the issue” (70 Corpus Juris 490).

Sammons was interrogated by petitioner; he was on the same footing as any other witness; he was interrogated regarding matters stated in the pleading (the statement of account), and all of his answers were relevant and material

to the issue. Therefore, these answers are in evidence; and the documents upon which they are based are in evidence because the Master received them in evidence (R. 260; offered at R. 64) after they had been duly authenticated by Sammons (R. 30-64).

Petitioner can hardly object to the sufficiency of more than thirty pages of testimony (R. 30-64) merely because it was by a single witness.

“Ordinarily in civil cases the testimony of a single witness is sufficient to establish any fact” (23 Corpus Juris 53).

That a witness is an officer of a corporation which is a party to the suit does not disqualify him as a witness. *Troy v. Ohio*, 274 F. 612.

A complainant who calls a defendant as a witness is estopped to deny his credibility, and is bound by his testimony, unless it is countervailed by other evidence. *Standard v. Griscom-Russell*, 278 F. 703; *Wirfs v. Bosley*, 20 F. (2d) 632.

In the proceedings below, petitioner cited *Beckwith v. Malleable* (D. C. Wis.), 207 F. 848, and *Armstrong v. Belding* (D. C. Conn.), 280 F. 895, affirmed (C. C. A. 2) 297 F. 728. Neither of these was a trade-mark action. The decisions mention that a statement of account *per se* is not evidence. However, it is clear from reading these decisions that the figures in a statement of account become evidence when they have been authenticated by competent testimony, as has occurred in the accounting at bar.

Point 9: Respondent Has Proven Its Indirect Cost Items in the Usual and Practicable Accepted Manner, by Allocation.

There is adequate evidence to prove all the deductions from total sales. The evidence is partly Dft. Exhs. 99 and 100 (offered at R. 64 and received at R. 260) and partly the

Sammons testimony. Portions of these exhibits were originally filed as a pleading. But thereafter Mr. Sammons (R. 30-64, particularly R. 63-64) authenticated and substantiated evidence in these exhibits as being proper accounting practice, and true according to respondent's books and records which were properly kept in the ordinary course of business in order to show the facts. Thereafter petitioner's counsel and accountant inspected respondent's books and records to whatever extent they wished, and petitioner took no testimony controverting any of the facts in these exhibits or in Mr. Sammons' testimony. See R. 29, for example. Thereafter (R. 260) the Master received these exhibits in evidence.

Petitioner in the proceedings below cited *Gordon v. Turco-Halvah* (C. C. A. 2), 247 F. 487; *Ruth v. Stearns-Roger* (D. C., Colo.), 13 F. S. 697, reversed by C. C. A. 10, 87 F. (2d) 35; and *Aladdin v. Mantle* (C. C. A. 7), 116 F. (2d) 708; and now cites the last-named decision. **Gordon** and **Ruth** were not trade-mark actions.

Gordon was a patent contempt proceeding for violation of an injunction, and the only accounting point cited by plaintiff **was on depreciation and discarded machinery**—issues which have no parallel here even if the practice in patent accounting were relevant here. Incidentally, the court **allowed insurance, taxes and advertising expenses prorated on the basis of sales, and stated that advertising expense was allowable for the same reason as salesmen's commissions or salaries or the like.**

Ruth was a patent action, wherein the court said, column 2, that items of expense incurred in making the infringing profits are proper credits against such profits; that where items of expense are incurred in producing infringing and noninfringing business, the evidence must show that to be a fact; and if possible, the portion belonging to infringing business must be ascertained; but if it

is impossible to do so, and the proof so shows, then the Master may resort to a fair system of apportionment. In the case at bar Mr. Sammons has answered all questions as to why each item of Dft. Exhs. 99 and 100 (offered at R. 64, received at R. 260) is accurate and proper accounting practice (R. 56-58 and also 30-56). Incidentally, **Ruth was reversed by the C. C. A. at 87 F. (2d) 35, and the court allowed prorated overhead expense** (page 41, column 2) and held (bottom of column 2) that the defendant would not have to prove that stenographers, telephones, etc., were used in connection with these sales. The court added: "The law requires no such minutiae, for it would make trials interminable." That is exactly why we did not burden the present record with such minutiae.

Aladdin included unfair competition, which is not an issue at bar.

For a general discussion of allocation, we refer the Court to **Nims on Trade-Marks, Third Edition, pages 1072-1076.**

Respondent's evidence was received by the Master. The documents were offered at R. 64 and received at R. 260. The evidence (testimony and documents) is believed to be clearly admissible under 28 U. S. Code 695. In 28 U. S. C. A. 695, 1944 Pocket Part, pages 148-153, are voluminous citations of relevant authorities.

The basis upon which Sammons prepared Exhibit 100 is that items of expense which do not affect the accused bottle business were deleted from the account (R. 46). On the other hand, where items of expense covered the bottle business, a proper proportion, calculated from the proportionate sale of bottles, was allocated to the bottle business. The reasonableness of such a position is apparent. It is certainly not possible more fairly to allocate mixed items of expense.

For example, let us take the matter of a salesman's salary. As is pointed out on page 43 of the record, respond-

ent's salesmen **sold not only bottles**, but all the other items marketed by respondent. As Mr. Sammons put it, "he travels from store to store and tries to sell as much of the general line as he can." It is only reasonable and fair to consider that his salary and expenses should be allocated against the various items in proportion to the value of these items which he sells. Any other allocation is not only impossible, but contrary to good accounting practice.

Petitioner has criticized the charge for advertising. Nevertheless it is clear from a moment's consideration that advertising the Rexall stores will inevitably increase the sale of prescription bottles imprinted "The Rexall Store." The more the public is made conscious of respondent's trade-mark REXALL and the more the public is induced to purchase at Rexall stores, the greater the value to a Rexall store of bottles imprinted "The Rexall Store." The advertising value of this legend on the prescription bottle is directly dependent upon the good-will which respondent's trade-mark REXALL has among the purchasing public. The retail Rexall druggist will not be interested in purchasing bottles imprinted "The Rexall Store" unless he believes that he can thereby take advantage of the good-will appurtenant to respondent's trade-mark REXALL in his community. The advertising expenditure of respondent is, therefore, properly allocatable pro rata to the bottle business. It directly increased the sale of imprinted bottles.

A suitable accounting allocation such as adopted by respondent has been held proper by the courts. The courts are **not** blind to the facts, **nor** do they ignore proper distribution of expenses and costs. The courts have recognized the propriety of allocations such as those made herein, and which, as has been pointed out, are approved by a skilled accountant, namely, Mr. Sammons. See *Levin v. Davis* (C. C. A. 8), 72 F. (2d) 163, 165.

In Levin, the court said:

“* * * the master undertook a division of the items of overhead into those which were not affected by adding the davenport business and those which were. Such division appears in his findings and his memorandum. This division evinces great care and consideration. To such overhead as was affected by the manufacture and sale of the infringing davenports, he applied the percentage of davenport sales to total sales of all products.”

CONCLUSION.

One fact fatal to a substantial recovery for petitioner herein, namely, that the Rexall store owners bought respondent's imprinted ware because it was cheaper, and never because of any confusion, was brought out on the Original Record or on direct examination by petitioner of its own witnesses. Accordingly, this was known or should have been known to petitioner before petitioner started this accounting.

Petitioner claims to have known of the respondent's sales of The Rexall Store bottles at least as early as January, 1931 (Nester, R. 79, bottom of page), more than fourteen years ago. Petitioner filed this suit in 1935, ten years ago (O. R. 5). In all that span of ten years or fourteen years, petitioner found not one instance of actual confusion.

And yet petitioner has forced respondent through this long and mutually expensive accounting.

The Master correctly found (R. 340 and prior) that there has been no confusion, and hence that there could be no award except a nominal one cent. The District Court (R. 349) adopted and approved the Master's report on all these points. The Circuit Court of Appeals affirmed (R. 369).

We submit that the ends of justice require that these three concurrent decisions be not disturbed, because they are in harmony with the voluminous evidence and authorities supporting the findings and conclusions, and in harmony with F. R. C. P. 52 (a) and 53 (e) (2), which dignify the action of the lower tribunals by requiring affirmance unless clearly erroneous.

Wherefore respondent prays that the petition at bar be denied.

Respectfully,

DELOS G. HAYNES,
818 Olive Street,
St. Louis 1, Missouri,
Attorney for Respondent.